

## **Audit Report**

### **Client and Welfare Trust Funds Administered by District 13**



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*Enhancing Public Trust in Government*

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#### **PURPOSE AND OBJECTIVE**

The **purpose** of this audit was to determine whether District 13 (D13) has taken the necessary and appropriate safeguards to protect client funds; ensure reliability of financial records; maximize fee collections; and, met it's fiduciary responsibilities. This audit is the first in a series of client and welfare trust fund audits.

The **objectives** of this audit were to determine whether:

- District/Zone have adequate internal controls in place to safeguard assets and ensure reliability of financial records for the Client and Welfare Trust Funds administered;
- District/Zone are following procedures in 7 APM 3 and 6 APM 15;
- Client Fee Collections are calculated, accounted for and deposited into the State Treasury within a reasonable time; and,
- District/Zone Client and Welfare Trust Fund accounts were set up and maintained as prescribed by the APM.

#### **BACKGROUND**

Florida Statutes authorize the department, as trustee, to hold in trust and administer clients' money and property for the personal benefit of those clients. The majority of clients are children in foster care. Currently, D13 has two separate client trust fund bank accounts with SunTrust. The first is used for the CTF "current needs" account; this account serves approximately 162 clients each month and the second is for the CTF "dedicated" account which serves 9 clients.

Social Security Income (SSI) payments are the primary source of revenue in the client trust funds. After the department becomes the "representative payee" for a client, the department can then receive and manage SSI payments for those clients. SSI is a federal program that makes monthly payments to the aged, blind or disabled who have little or no income and few resources. There is a \$2,000 limitation on resources that clients cannot exceed, and the department monitors these account balances to assist clients in remaining eligible for this federal program.

Representative payees must use SSI benefits to meet current, basic, and reasonably foreseeable day-to-day needs for food, shelter, and clothing. Then, benefits may be used for the client's personal needs such as recreation, miscellaneous expenses and medical and dental care not provided by Medicare or Medicaid. Once the current needs have been met, the client has the right to have some discretionary spending money. Unspent SSI funds are conserved or invested on behalf of the client. Eligible clients also receive SSA (Retirement, Survivors, and Disability) benefits. These benefits are conserved for the client's long-term use.

The following is a summary of the bank statement activity from July 2004 through August 2005.

#### **D13 Client Trust Fund Account Summary**

<b>Account</b>	<b>Beg. Balance July 2004</b>	<b>Deposits/ Credits</b>	<b>Disbursements</b>	<b>Withdrawals/ Debits</b>	<b>Ending Balance August 2005</b>
<b>Current Needs</b>	<b>\$343,688.42</b>	<b>\$632,641.43</b>	<b>\$868,813.10</b>	<b>\$111.36</b>	<b>\$107,405.39</b>
<b>Dedicated</b>	<b>\$48,907.71</b>	<b>\$13,564.89</b>	<b>\$24,181.14</b>	<b>\$0.00</b>	<b>\$38,291.46</b>
<b>Total</b>	<b>\$392,596.13</b>	<b>\$646,206.32</b>	<b>\$892,994.24</b>	<b>\$111.36</b>	<b>\$145,696.85</b>

#### **SCOPE AND METHODOLOGY**

The **scope** of this review is limited to the D13 Client and Welfare Trust Funds. It included testing controls, procedures, documentation and systems in place to determine the adequacy of the internal control structure surrounding D13 Client and Welfare Trust Fund administration, verifying compliance with 7 APM 3 and 6 APM 15, and reviewing cost of care (COC) collections and subsequent deposits into the State Treasury. This review included a non-probability "judgmental" sampling of transactions entering, exiting and remaining in the funds from July 2004 to June 2005. In some instances, additional sampling was conducted in July, August and September 2005.

The **methodology** included a review of the following:

- Applicable Florida Statutes (F.S.) and Florida Administrative Code (F.A.C.);
- Department of Children and Families' Accounting Procedures Manual (APM) 7 APM 3, "Client Trust Funds;"
- Department of Children and Families' Accounting Procedures Manual (APM) 6 APM 15, "Internal Control and Review;"
- Department of Children and Families' Accounting Procedures Manual (APM) 7 APM 2, "Welfare Trust Funds;"
- Department of Children and Families' Operating Procedures (CFOP) 175-59, "Master Trust for Benefit of Family Safety and Preservation Program Clients;"
- Information on the Social Security Administration (SSA) website applicable to Supplemental Security Income (SSI) and Organizational Representative Payee.

- Investigative and ASFM reports prepared by the Offices of the Inspector General and Administrative Services Financial Management, respectively.
- Internal Controls.
- Test Client Deposits with supporting documentation.
- Test Client Disbursements with supporting documentation.
- Sample changes in client trust funds, ensuring request, documentation, signatures, funds reconciliation and re-deposit are done within reasonable time.
- Test Client Cost of Care (COC) Fee Assessment to ICQWIS.
- Test Client Cost of Care (COC) Deposits to State Treasury.
- Summarize and Test Client Subsidiary Records.
- Test for any "PLUG" figure to balance fund total to subsidiary accounts.
- Summarize and Test Bank Statement Activity.
- Test Submitted Bank Reconciliation.
- Latest FLAIR trail balance.
- IDS transaction history records for all recorded transactions of fund during the period to be reviewed.
- Test Interest allocations.
- Verify that quarterly statements were provided to client or their guardians.

We also interviewed appropriate management and staff.

### ***RESULTS OF AUDIT***

This audit was completed in D13 on November 10, 2005. We found that district staff has taken appropriate measures to protect client funds. In addition, we found the financial records, with few exceptions, to be accurate and reliable. We commend D13 staff for the improvements made from prior audits.

The district fiscal office has the responsibility to monitor and approve client disbursements. We found numerous positive examples where district staff routinely fulfils this responsibility. For example, one request was returned asking why the clients' signature appeared different from the signature card. Another document questioned why a client needed \$1,409.09 worth of clothing and toys. Another example called attention to the possibility of injury/liability for a treadmill requested in a foster care home with several small children. Additionally, several denials stated reasons like, items are the responsibility of the foster care parent or disallowable purchase under SSI guidelines.

Federal regulations generally limit the amounts that may be accumulated by individual clients to \$2,000. This requirement is often mishandled. We reviewed the balances of 10 clients during the 2004-05 fiscal year that were reported as in excess of \$2,000 or as negative balances. In all cases reviewed, the district explained that the balances were either allowable under the federal regulations or provided updates to show that subsequent actions were taken to comply with the federal requirements.

Monthly reconciliation of the accounts need to be timely:

The department is responsible for reconciling the fund bank statements with the client subsidiary records. A review of the accounts for the "CTF-current needs" and "CTF-dedicated" showed that while all reconciliations had been completed, most were completed late. Over the past year, only 2 were submitted on time and the remaining reports were from 1 week to 2 months late. According to 7 APM 3, "All documentation is due to the ASFMS office by the 20th of the following month". Additional effort is needed in this area.

The June 2005 monthly reconciliation shows an unidentified amount of \$1,358.32 was used to balance the client subsidiary ledger with the general ledger and could not be explained. This item first appeared in May 2005. Additional research should be undertaken to identify and clear this difference.

### **RECOMMENDATIONS**

- Additional effort is needed to ensure client trust funds are reconciled and submitted to ASFMS timely.
- Additional research is necessary to correct an open reconciling item.

### **MANAGEMENT RESPONSE**

The following outlines the actions taken by D13 to address the recommendations of the audit team.

#### Timely Reconciliation and Submission to ASFMS

Currently the Central Zone Budget office performs CTF/WTF functions and a zone budget analyst completes reconciliation. The CTF/WTF functions will be transitioned to a D13 position in January 2006 and reconciliation will be specialized to a single position. The monthly bank statement is received by the 10<sup>th</sup> of each month and having a position with primary responsibility for reconciliation will ensure submission to ASFMS by the 20<sup>th</sup> of each month.

#### Research for Open Reconciling Item

The Central Zone Budget Analyst has conducted additional research on the open item. To date, the open outstanding item is an amount that cannot be identified to a specific client. As a result, on-going audits of the activity in each client's account is being completed. This is being performed in an effort to ensure that the current records accurately reflect all activities that incurred prior to our assuming the responsibility for the D13 Client Trust Fund. Upon completion of the audits, any outstanding amount will be forwarded as revenue to the Treasury to clear the outstanding amount.

This audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*, published by the Institute of Internal Auditors and the *Government Auditing Standards*, published by the Comptroller General of the United States. June Watts conducted this audit. Please address inquiries regarding this report to Jerry Chesnutt, Director of Auditing, at (850) 488-8722.